

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

STARRED QUESTION NO:67
ANSWERED ON:21.02.2003
EXCHANGE BASED TRADING OF GOVERNMENT SECURITY
CHINMAYANAND;YOGI ADITYANATH

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether the Government are contemplating to allow exchange based trading of Government Securities (G-sec);
- (b) if so, the details thereof; and
- (c) the reasons for allowing exchange based trading for the securities?

Answer

MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH)

(a) to (c): A statement is placed on the Table of the House.

Statement referred to in the reply to Lok Sabha starred questionno. 67 by Shri Aditya Nath Yogi and Shri Chinmayanand Swami for 21.2.2003 regarding 'Exchange based Trading of Government Security'.

(a) Yes, Sir. With effect from 16th January, 2003, screen based trading of Government securities has been operationalised on three exchanges, viz. National Stock Exchange (NSE), The Stock Exchange, Mumbai (BSE) and the Over the Counter Exchange of India (OTCEI).

(b) To begin with, all outstanding and newly issued central government securities would be traded on the automated, anonymous, order driven system of NSE, BSE and the OTCEI. Treasury bills, state government and other securities, eligible as government securities, would be included, in phases, by the RBI, in consultation with the SEBI.

In view of the familiarity of the market and its participants with the systems, processes and procedures it has been decided to adopt the equity trading model for trading of Government securities on the exchanges. The government securities would be traded on the permitted exchanges in the same manner as prescribed for equity trading.

(c) With a view to encouraging wider participation of all retail and other investors in government securities, trading in government securities through a nation wide, anonymous, order driven, screen based trading system of the stock exchanges has been launched. This would allow investors to enjoy an alternative to the existing saving instruments, such as, bank deposits of corresponding tenure.

Further, this would enable different entities, such as, rural and cooperative banks, provident and pension funds across the country to participate in the transactions in Government securities with ease, transparency and safety.